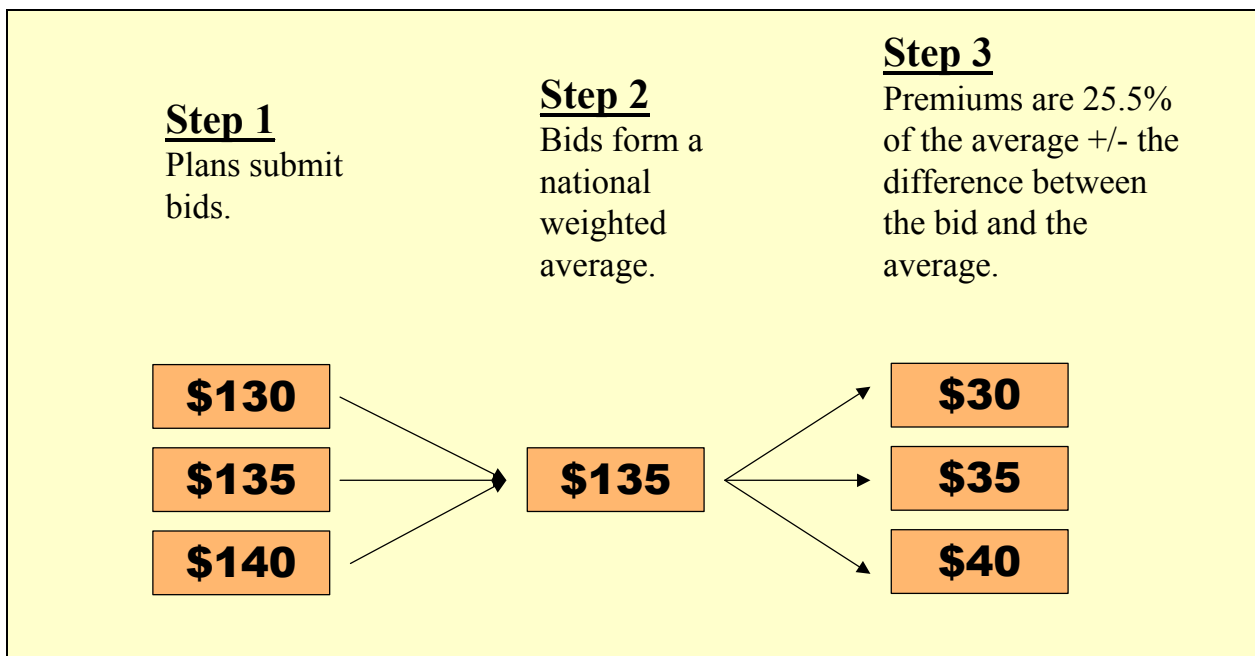


*Medicare Prescription Drug, Improvement, and Modernization Act of 2003*  
**THE NEW MEDICARE PRESCRIPTION DRUG BENEFIT:**  
**BIDDING AND PREMIUMS**  
*Section 1860D-4*

Beneficiary premiums for the new drug benefit in Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) will be determined through a competitive bidding process. Beneficiary premiums are expected to average about \$35 dollars per month in 2006. Premiums will vary by plan and will be determined by the plans' bids. Beneficiaries may be able to save money by choosing a lower-priced plan.



*Note: Numbers have been rounded for convenience.*

In the plan bidding sequence, all plans submit a bid for the cost of providing the drug benefit to a typical beneficiary in the service area. The typical beneficiary is a statistical average of age and health status for the nation.

Then, CMS will review the bids, and all the approved bids will be compiled into a national weighted average. The weights will be the plans' enrollment shares in the prior year.

Premiums will be set at 25.5 percent of the national weighted average plus or minus any difference between the average and the plan's bid. For this last calculation, the average will be adjusted for any geographic differences in drug prices.

Three other factors will affect the premium that each beneficiary pays. First, if the beneficiary qualifies for low-income assistance, then the premium will be reduced on a sliding scale or eliminated entirely depending on the beneficiary's income. Second, if the beneficiary does not enroll in Part D at the first opportunity and does not maintain creditable coverage, then a late enrollment penalty may apply. Finally, if the beneficiary chooses a plan that features supplemental coverage over and above the standard Part D benefit, a supplemental premium may apply.